

STATUTORY REPORT

# COTTON COUNTY TREASURER

March 11, 2011



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**TAMMY SPENCE, COUNTY TREASURER  
COTTON COUNTY, OKLAHOMA  
TREASURER STATUTORY REPORT  
MARCH 11, 2011**

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# Oklahoma State Auditor & Inspector

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April 12, 2011

BOARD OF COUNTY COMMISSIONERS  
COTTON COUNTY COURTHOUSE  
WALTERS, OKLAHOMA 73572

Transmitted herewith is the Cotton County Treasurer Statutory Report for March 11, 2011. The engagement was conducted in accordance with 74 O.S. § 212.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR



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Tammy Spence, County Treasurer  
Cotton County Courthouse  
Walters, Oklahoma 73572

Dear Ms. Spence:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for March 11, 2011:

- Review bank reconciliations, visually verify certificates of deposit, and confirm investments.
- Determine whether subsidiary records reconcile to the general ledger.
- Review pledged collateral securing deposits and invested funds.

All information included in the bank reconciliations, the investment ledger, the subsidiary ledgers, and the general ledger is the representation of the County Treasurer.

Our county treasurer statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any general-purpose financial statements of Cotton County.

Based on the above bank reconciliations, visual verification, and confirmation procedures performed, cash and investments of the County are supported by accounting and bank records and are adequately secured to prevent loss in the event of a bank failure. However, in performing the procedures, we noted a matter of segregation of duties, and our finding is presented in the accompanying schedule of findings and responses.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sincerely,

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

March 14, 2011

**TAMMY SPENCE, COUNTY TREASURER  
COTTON COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2011-1—Segregation of Duties**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of funds, and record transactions. Effective internal controls include depositing funds collected on a daily basis.

Condition: The County Treasurer's office did not adequately segregate the duties of receipting, posting, depositing, and reconciling bank statements to accounting records. On the day of our review, there were instances when only one deputy was in the office and performed all duties associated with the collection process.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: The County Treasurer is aware of this condition, but is limited in resources to properly segregate duties.



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